

SUPPORT THE ENLISTED PROJECT, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

SUPPORT THE ENLISTED PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Support The Enlisted Project, Inc.

We have audited the accompanying financial statements of Support The Enlisted Project, Inc. a nonprofit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Support The Enlisted Project, Inc., a nonprofit organization, as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Considine & Considine". The signature is written in dark ink and is positioned above the printed name of the firm.

CONSIDINE & CONSIDINE

An accountancy corporation

December 17, 2021

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

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	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 397,520	\$ 75,954
Certificate of deposit	750,022	655,022
Pledges receivable	-	5,000
Prepaid expenses	<u>6,394</u>	<u>13,048</u>
	1,153,936	749,024
PROPERTY AND EQUIPMENT (note 3)	62,956	41,054
OTHER ASSETS		
Investments (note 5)	98,793	-
Endowment investments (note 6)	65,529	20,480
Security deposits	11,293	15,162
Inventory	<u>1,000</u>	<u>5,600</u>
	<u>176,615</u>	<u>41,242</u>
TOTAL ASSETS	<u><u>1,393,507</u></u>	<u><u>831,320</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	3,736	3,409
Accrued liabilities (note 7)	<u>122,590</u>	<u>141,266</u>
	126,326	144,675
LONG-TERM LIABILITIES		
Note payable (note 8)	<u>140,280</u>	<u>140,281</u>
TOTAL LIABILITIES	266,606	284,956
NET ASSETS (note 9)		
Without donor restrictions	979,766	420,845
With donor restrictions	<u>147,135</u>	<u>125,519</u>
TOTAL NET ASSETS	<u>1,126,901</u>	<u>546,364</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,393,507</u></u>	<u><u>\$ 831,320</u></u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
REVENUES			
In-kind goods and services (note 10)	\$ 1,172,833	\$ -	\$ 1,172,833
Grants	820,005	-	820,005
Contributions	635,727	269,153	904,880
Other income (note 8)	152,441	-	152,441
Interest (note 5)	3,291	-	3,291
Gain on endowment investment, net (note 6)	4,841	-	4,841
	<u>2,789,138</u>	<u>269,153</u>	<u>3,058,291</u>
NET ASSETS RELEASED FROM RESTRICTIONS (note 9)			
Satisfaction of program restrictions	<u>247,537</u>	<u>(247,537)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	3,036,676	21,616	3,058,291
EXPENSES			
Program services	2,092,716	-	2,092,716
Management and general	183,407	-	183,407
Development	201,631	-	201,631
	<u>2,477,755</u>	<u>-</u>	<u>2,477,755</u>
CHANGE IN NET ASSETS	558,921	21,616	580,537
NET ASSETS, BEGINNING	<u>420,845</u>	<u>125,519</u>	<u>546,364</u>
NET ASSETS, ENDING	<u><u>\$ 979,766</u></u>	<u><u>\$ 147,135</u></u>	<u><u>\$ 1,126,901</u></u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
REVENUES			
In-kind goods and services (note 10)	\$ 1,118,901	\$ -	\$ 1,118,901
Grants	720,887	-	720,887
Contributions	468,933	238,750	707,683
Interest	4,825	-	4,825
Gain on endowment investment, net (note 6)	421	-	421
	<u>2,313,967</u>	<u>238,750</u>	<u>2,552,717</u>
NET ASSETS RELEASED FROM RESTRICTIONS (note 9)			
Satisfaction of program restrictions	<u>180,290</u>	<u>(180,290)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	2,494,257	58,460	2,552,717
EXPENSES			
Program services	2,107,446	-	2,107,446
Management and general	166,626	-	166,626
Development	208,316	-	208,316
	<u>2,482,388</u>	<u>-</u>	<u>2,482,388</u>
CHANGE IN NET ASSETS	11,869	58,460	70,329
NET ASSETS, BEGINNING	<u>408,976</u>	<u>67,059</u>	<u>476,035</u>
NET ASSETS, ENDING	<u><u>\$ 420,845</u></u>	<u><u>\$ 125,519</u></u>	<u><u>\$ 546,364</u></u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Personnel				
Salaries	\$ 483,927	\$ 117,458	\$ 144,380	745,765
Payroll taxes	41,784	10,142	12,466	64,392
Health benefits	7,727	1,876	2,305	11,908
Active duty assistance				
Auto assistance	24,232	-	-	24,232
Food, furniture and appliance assistance	520,310	-	-	520,310
Housing assistance	18,616	-	-	18,616
Other program assistance	86,701	-	-	86,701
Veterans' assistance				
Auto assistance	2,532	-	-	2,532
Food assistance	225	-	-	225
Housing assistance	12,574	-	-	12,574
Advertising	14,651	2,930	1,953	19,534
Depreciation	11,225	2,245	1,496	14,966
Dues and subscriptions	116	23	16	155
Employee development	8,065	1,613	1,075	10,753
Equipment rent and repairs and maintenance	5,986	1,197	798	7,982
Information technology	18,960	3,792	2,528	25,280
Insurance	15,115	3,023	2,015	20,153
Morale support programs	70,130	-	-	70,130
Occupancy (note 10)	264,083	19,546	13,033	296,663
Other secondary support programs (note 11)	369,116	-	-	369,116
Outside services	5,934	-	-	5,934
Postage, shipping and delivery	1,599	307	205	2,111
Printing, copying and publications	18,015	1,716	9,837	29,568
Professional fees	28,897	5,659	4,828	39,385
Supplies	35,157	6,472	1,089	42,718
Telephone	6,193	1,239	826	8,257
Travel and meals	20,846	4,169	2,780	27,795
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	<u>\$ 2,092,716</u>	<u>\$ 183,407</u>	<u>\$ 201,631</u>	<u>\$ 2,477,755</u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	Total
EXPENSES				
Personnel				
Salaries	\$ 473,610	\$ 112,663	\$ 158,582	\$ 744,855
Payroll taxes	36,913	8,781	12,360	58,054
Health benefits	11,446	2,723	3,832	18,001
Active duty assistance				
Auto assistance	61,565	-	-	61,565
Food, furniture and appliance	112,485	-	-	112,485
Housing assistance	60,579	-	-	60,579
Other program assistance	47,900	-	-	47,900
Veterans' assistance				
Auto assistance	6,454	-	-	6,454
Food assistance	2,666	-	-	2,666
Housing assistance	35,899	-	-	35,899
Advertising	21,700	4,340	2,893	28,933
Depreciation	9,381	1,876	1,251	12,508
Dues and subscriptions	87	19	23	129
Employee development	3,714	743	495	4,952
Equipment rent and repairs and maintenance	6,055	951	807	7,813
Information technology	16,669	3,234	2,222	22,125
Insurance	15,296	3,059	2,040	20,395
Meetings and special events	-	-	1,085	1,085
Morale support programs	140,746	-	-	140,746
Occupancy (note 10)	228,968	10,968	7,313	247,249
Other secondary support programs (note 11)	688,434	-	-	688,434
Outside services	30,447	-	-	30,447
Postage, shipping and delivery	2,039	362	241	2,642
Printing, copying and publications	23,190	3,168	9,082	35,440
Professional fees	18,013	3,348	2,231	23,592
Supplies	32,138	6,291	1,089	39,518
Telephone	4,823	964	643	6,430
Travel and meals	16,230	3,137	2,127	21,494
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	<u>\$ 2,107,446</u>	<u>\$ 166,626</u>	<u>\$ 208,316</u>	<u>\$ 2,482,388</u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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	2021	2020
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 580,537	\$ 70,329
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation expense	14,966	12,508
Net gain on endowment investment	(4,841)	-
Gain on disposal of equipment	(12,160)	-
Income from loan forgiveness	(140,281)	-
Change in operating assets and liabilities:		
Pledges receivable	5,000	103,360
Prepaid expenses	6,655	(7,039)
Security deposits	3,869	(11,293)
Inventory	4,600	(3,050)
Accounts payable	327	1,274
Accrued liabilities	(18,676)	21,596
Deferred revenue	-	(190)
	<u>(140,541)</u>	<u>117,166</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	439,996	187,495
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of investments	(139,000)	-
Net purchases of certificates of deposit	(95,000)	(464,771)
Purchase of property and equipment	(36,869)	-
Proceeds on disposal of equipment	12,160	-
	<u>(258,709)</u>	<u>(464,771)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from note payable	<u>140,280</u>	<u>140,281</u>
NET INCREASE/(DECREASE) IN CASH	321,566	(136,995)
CASH, BEGINNING OF YEAR	<u>75,954</u>	<u>212,949</u>
CASH, END OF YEAR	<u>\$ 397,520</u>	<u>\$ 75,954</u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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NOTE 1 THE ORGANIZATION

Support The Enlisted Project, Inc. (the "Organization") is a California non-profit organization that was incorporated in 2005. The Organization assists junior active duty enlisted members and recently discharged enlisted veterans and their families facing financial crisis achieve long term financial self-sufficiency through counseling, education and grants to alleviate critical near term obligations. The Organization provides aid to those in and from the lower six military pay grades. Many of these active duty military families living on meager incomes and struggle each month trying to make ends meet as they are directed to live and work in areas commonly with high costs of living. The Organization also offers emergency financial assistance to veterans and their immediate families within the first 18 months after honorable discharge from service to assist in their successful reintegration back into civilian life. The Organization offers a multitude of services and programs to strengthen health and well-being for these families who demonstrate verified need. The Organization provides the following services and programs to active duty and recently discharged military families per board approved standard operating procedures:

Emergency Financial Assistance Grants - Emergency food, rent and mortgage, utilities assistance, critical baby items, emergency dental care, vision care, emergency child care and in-home health care, auto repair, auto payment and insurance, emergency travel, essential home items and other emergency financial assistance.

Morale Programs - Holiday assistance, financial planning seminars/classes, and distribution of in-kind goods.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) in the United States.

Estimates - The preparation of financial statements in conformity with GAAP requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Financial statement presentation - The Organization follows the recommendation of Financial Accounting Standards Board's (FASB) Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which requires that net assets, support, revenue and gains, expenses and losses be classified as with donor restrictions and without donor restrictions.

Net assets without donor restriction – Net assets without donor restriction represent expendable funds available for operations that are not otherwise limited by donor restrictions. Net assets without donor restriction also include amounts designated for certain purposes by the Board of Directors. At June 30, 2021 and 2020 the Organization had \$979,766 and \$420,845 of net assets without donor restriction, respectively.

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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Net assets with donor restriction – Net assets with donor restriction consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may recognize the funds or recognized the support. At June 30, 2021 and 2020, the Organization had net assets with donor restrictions of \$147,135 and \$125,519, respectively.

Cash and cash equivalents - The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Organization maintains two checking accounts at a national bank and a cash account at a national investment firm. At various times, cash balances may exceed federally insured deposit limits. As of June 30, 2021, the Organization's cash and cash equivalents were fully insured. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Certificate of deposit – The Organization held certificates of deposit totaling \$750,022 at June 30, 2021. The certificates of deposit included accrued interest of \$44 for the year ended June 30, 2021. The certificates of deposit matured between July and February 2022. Certificates of deposit are insured by the FDIC up to \$250,000.

Pledges receivable – The pledges receivable consist of donor promises to give. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. As of June 30, 2021 and 2020, all pledges are considered collectible.

Conditional promises to give – For the year ended June 30, 2021 and 2020, the Organization received a restricted grant of \$0 and \$240,000, respectively that contained donor conditions. Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. During the year ended June 30, 2021 and 2020, the Organization received restricted grants amounting to \$0 and \$50,000, respectively that contained donor conditions and were recognized as revenue during the year, once the conditions were met.

Inventory - Inventory is comprised of gift cards and is stated at cost.

Property and equipment - Property and equipment are stated at cost or fair market value at the date of donation, if donated. Depreciation is calculated on a straight line basis over the estimated useful lives of the depreciable assets of 3 to 5 years. Repairs and maintenance are charged to expense as incurred. It is the Organization's policy to capitalize all property and equipment greater than or equal to a cost or fair value of \$1,000. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the current period financial statements.

Fair value measurement - The Organization follows accounting standards consistent with the FASB Codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Investments - The Organization carries investments in marketable securities with readily determinable values at fair value in the statement of financial position. Realized and unrealized gains and losses are

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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included in the accompanying statement of activities and changes in net assets. Investment income is recognized as revenue in the period it is earned.

Revenue recognition - The financial statements of the Organization are presented on the accrual method of accounting. Under this method of accounting, revenues are recognized when earned or a donor makes a promise to give that is, in substance, unconditional. Revenue from cost reimbursement of grants is generally recorded when the costs are billed to the granting agency.

The Organization follows the FASB Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, which provides guidance for revenue recognition. This ASC's core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods and services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer

The Organization follows the FASB-issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made which provides clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions.

Donor-imposed restrictions - All contributions received are considered to be without donor restrictions and available for general use unless designated by the donor for a specific purpose. Amounts received designated for future periods or restricted by the donor for specific purpose are reported as an increase in net assets with donor restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the statement of activities and changes in net assets as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as net assets with donor restrictions and then released from restriction in the same period.

In-kind goods - The Organization recognizes the value of donated goods by recording the donations at fair value. The fair value of donated goods has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). See note 10 for additional information.

In-kind services - The Organization follows standards relating to contributions received and contributions made as consistent with FASB codification. These standards require recording the value of donated services that create or enhance non-financial assets or require specialized skills. Volunteers have contributed significant amounts of their time to activities of the Organization; however, only the services that meet the above requirements are recorded in the financial statements. The fair value of donated services has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). See note 10 for additional information.

Advertising - Advertising expenses are charged to expense as incurred.

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NOTES TO THE FINANCIAL STATEMENTS
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Functional expense allocation – The Organization allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. There are certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis. Expenses like compensation and benefits, utilities, advertising and marketing and rent are allocated on the basis of estimates of time and effort. Other expenses related to more than one function are charged to program and supporting services on the basis of periodic and expense studies.

Income taxes - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The Organization follows accounting standards which provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of June 30, 2021, the Organization has no accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

Recent accounting pronouncements

As of July 1, 2020, the Organization adopted ASU 2016-01 “Recognition and Measurement of Financial Assets and Financial Liabilities”. This ASU amends certain aspects of current guidance on the recognition, measurement and disclosure of financial instruments. Among other changes, this ASU requires most equity investments to be measured at fair value. Additionally, this ASU eliminates the requirement to disclose the method and significant assumptions used to estimate the fair value for instruments not recognized at fair value in the Organization's financial statements. The adoption of this standard had no material impact on the Organization's financial statements and related disclosures.

In February 2016, FASB issued ASU 2016-02 Leases (Topic 842). In July 2018, FASB issued two updates to ASU 2016-02, ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Leases (Topic 812): Targeted Improvements. The new standard is effective for fiscal years beginning after December 15, 2021. ASU 2016-02 requires recognition of operating leases with lease terms of more than twelve months on the balance sheet as both assets and liabilities for the obligations created by the leases. Topic 842 also requires disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the financial statements. The Organization is still assessing the impact this standard will have on its financial statements.

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NOTE 3 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	2021	2020
Vehicles	\$ 124,046	\$ 110,721
Office equipment	8,981	8,981
Furniture and fixtures	4,552	4,552
	137,579	124,254
Accumulated depreciation	(74,622)	(83,200)
	<u>\$ 62,956</u>	<u>\$ 41,054</u>

Depreciation expense was \$14,966 and \$12,508 for the years ended June 30, 2021 and 2020, respectively.

NOTE 4 FAIR VALUE MEASUREMENT

The Organization follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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Financial assets carried at fair value and measured on a recurring basis at June 30, 2021 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds	\$ 74,418	\$ -	\$ -	\$ 74,418
Endowment investments	65,529	-	-	65,529
Exchange-traded funds	24,375	-	-	24,375
	<u>\$ 164,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,322</u>

Financial assets carried at fair value and measured on a recurring basis at June 30, 2020 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Endowment investments	\$ 20,480	\$ -	\$ -	\$ 20,480
	<u>\$ 20,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,480</u>

Level 1 - Investments in mutual funds and exchange-traded funds are revalued at market prices in active markets and are classified as Level 1. The endowment investments are held and managed by the Foundation. The funds are held in the Foundation's endowment and long-term pool of investments. The values are based on the fair market value of the underlying securities.

NOTE 5 INVESTMENTS

Investments are stated at fair value and consist of the following at June 30, 2021:

	Cost	Fair value
Mutual funds	\$ 74,229	\$ 74,418
Exchange-traded funds	24,369	24,375
	<u>\$ 98,598</u>	<u>\$ 98,793</u>

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NOTES TO THE FINANCIAL STATEMENTS
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The following schedule summarizes the Organization's return on long-term investments and its classification in the statement of activities and changes in net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 3,291	\$ -	\$ 3,291
Total investment return	\$ 3,291	\$ -	\$ 3,291

Investment return is shown net of investment management fees of \$625 for the year ended June 31, 2021

NOTE 6 ENDOWMENT FUND

Effective January 1, 2009, California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Organization classifies as net assets without donor restrictions the value of its initial investment.

Amounts are to be given by the Organization to the Rancho Santa Fe Foundation (the "Foundation") for the establishment of an endowment fund to support the mission of the Organization (see note 1). The nature of the promises to give require the amounts to be classified as net assets without donor restrictions. These funds are to help support the general purpose of the Organization. The Foundation makes all investment decisions related to the endowment fund.

The Policy Manual of the Foundation states their primary goals as preservation of capital with appropriate liquidity, sufficient growth of capital to offset the effects of inflation and provide for future needs, and enhancement of the realization of the philanthropic goals of the Foundation and its constituent organizations.

Losses on the investments of the funds reduce the net assets without donor restrictions. The Organization's unrestricted endowment fund investments are held and managed by the Foundation. Investments are stated at fair value, measured at quoted market price, and consist of the long-term pool of investments with the Foundation. Cost basis information is not provided by the Foundation.

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Composition of and changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ 20,480	\$ -	\$ 20,480
Donations	40,000	-	40,000
Earnings on investments	433	-	433
Investments fees	(225)	-	(225)
Realized and unrealized gain	4,841	-	4,841
Ending Balance	<u>\$ 65,529</u>	<u>\$ -</u>	<u>\$ 65,529</u>

Composition of and changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ -	\$ -	\$ -
Donations	20,000	-	20,000
Earnings on investments	67	-	67
Investments fees	(8)	-	(8)
Realized and unrealized gain	421	-	421
Ending Balance	<u>\$ 20,480</u>	<u>\$ -</u>	<u>\$ 20,480</u>

NOTE 7 ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	2021	2020
Accrued vacation	\$ 41,396	\$ 41,396
Accrued payroll	49,711	37,938
Credit cards payable	18,561	37,813
Funds held in trust for joint events	9,288	8,188
Accrued payroll taxes	3,634	15,931
	<u>\$ 122,590</u>	<u>\$ 141,266</u>

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NOTE 8 NOTE PAYABLE

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the Small Business Administration (SBA). Organizations who met the eligibility requirements set forth by the PPP could qualify for the PPP loans. If the loan proceeds are fully utilized to pay for qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organizations.

In May 2020, the Organization received a loan totaling \$140,281 under the PPP – first draw. The PPP loans bear interest at 1.00%, with principal and interest payments deferred for the first six months of the loan. Principal and interest are payable monthly commencing six months after the disbursement date and may be prepaid by the Organization at any time prior to maturity with no prepayment penalties, if the loans are not forgiven under the terms of the PPP.

On March 2, 2021, the Organization received forgiveness for the PPP loan above and hence has decided that the PPP loan should be accounted for as a government grant. As GAAP does not contain guidance on the accounting for government grants, the Organization is following the guidance in International Accounting Standards, or IAS, 20, Accounting for Government Grants and Disclosure of Government Assistance. Under the provisions of IAS 20, "a forgivable loan from the government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan." Under IAS 20, government grants are recognized in income as required activities are undertaken. Included in other income on the statement of activities and changes in net assets for the year ended June 30, 2021, is the full amount of the PPP loan, \$140,281, and no liability for the PPP loan is reflected in the statement of financial position as of June 30, 2021 with respect to the first draw.

On March 8, 2021, the Organization received loan proceeds in the amount of \$140,280 under the PPP - second draw. The loan is reflected as a note payable in the statement of financial position as of June 30, 2021.

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NOTE 9 NET ASSETS

Net assets were available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
With donor restrictions:		
Subject to expenditure for specific purpose:		
General program restrictions	\$ 147,135	\$ 125,519
Without donor restrictions		
Board designated	65,529	20,480
Unrestricted and undesignated	<u>914,237</u>	<u>400,365</u>
	<u>979,766</u>	<u>420,845</u>
Total net assets	<u><u>\$ 1,126,901</u></u>	<u><u>\$ 546,364</u></u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the years ended June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
Operational assistance	\$ 76,319	\$ 36,919
Emergency financial assistance	128,156	116,433
COVID-19 Reponse	43,062	11,938
Baby supplies	-	15,000
	<u><u>\$ 247,537</u></u>	<u><u>\$ 180,290</u></u>

NOTE 10 IN-KIND GOODS AND SERVICES

Donated goods of \$968,010 and \$904,201 were recognized for the years ended June 30, 2021 and 2020, respectively, which included clothing, event tickets, gift cards, household items, infant items, school supplies and toys. Donated services of \$204,823 and \$214,700 were recognized for the years ended June 30, 2021 and 2020, respectively, which included facilities, auto repair, outside services and professional services.

Donated services include, donated office and warehouse space valued at \$166,210 and \$117,421 for the years ended June 30, 2021 and 2020, respectively. These amounts are included under occupancy on the statements of functional expenses.

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NOTE 11 OTHER SECONDARY SUPPORT PROGRAMS

Other secondary support programs consist of the following:

	2021	2020
Clothing, toys, school and household items	\$ 330,255	\$ 661,679
Gift cards	31,340	9,864
Event tickets	4,521	9,598
Office furniture	3,000	7,293
	<u>\$ 369,116</u>	<u>\$ 688,434</u>

NOTE 12 COMMITMENTS

The Organization leases its office space in San Diego under an operating lease. The Organization entered into a new lease agreement for its office space beginning August 2020 with monthly rent of \$9,058 expiring in 2025.

Minimum future lease contract payments under non-cancelable operating leases and contracts having remaining terms in excess of one year for the years ended June 30 are as follows:

2022	\$ 122,195
2023	126,147
2024	126,147
2025	130,563
2026	67,376
	<u>\$ 572,428</u>

The rent expense under the office space agreement described above for the years ending June 30, 2021 and 2020 was \$121,719 and \$62,558, respectively.

NOTE 13 LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contributions without restrictions. Contributions and expenses are monitored on a monthly basis by the Organization's leadership and board. The level of assets are monitored on a quarterly basis. The Organization has historically had an average of \$2,170,000 in donations without restrictions every year. The Organization's goal is to be able to function within the boundaries of the income received throughout the year.

Occasionally, the Organization receives donations with restrictions. As of June 30, 2021 and 2020, the Organization has approximately \$1,147,000 and \$546,000, respectively, of net assets, of which approximately \$147,000 and \$126,000 is classified as net assets with donor restrictions as of June 30, 2021 and 2020, respectively (see note 9). These restricted funds can be used for expenditures within the

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guidelines established by the donor with time or purpose restrictions. Amounts without restrictions total approximately \$1,000,000 and \$421,000 as of June 30, 2021 and 2020.

As part of the Organization's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization manages its liquidity following these guiding principles: operating within a prudent range of financial stewardship and stability and maintaining adequate liquid assets to fund near-term operating needs, to provide reasonable assurance that long-term obligations will be discharged. For evaluating financial assets that meet the criteria for general expenditures over the next fiscal year, the Organization considers all expenditures related to its program activities including services performed to facilitate those activities to be general expenditures.

The following reflect the Organization's financial assets as of June 30, 2021 and 2020, reduced by the amounts not available for general expenditures because of donor-imposed restrictions within one year of the statement of financial position date:

Financial assets, at year-end	2021	2020
Cash	\$ 397,520	\$ 75,954
Certificates of deposit	750,022	655,022
Pledges receivable	-	5,000
Investments	98,793	-
Endowment investments	65,529	20,480
	1,311,864	756,456
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions		
Donor-restricted to programs	(147,135)	(125,519)
Board designated	(65,529)	(20,480)
	(212,664)	(145,999)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,099,200	\$ 610,457

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NOTE 14 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2021, the date which the financial statements were available to be issued. There were not material subsequent events which affected the amounts of disclosures in the financial statements, except as noted below.

While the Organization is not experiencing reduced revenues due to the COVID-19 pandemic, it continues to monitor the effects on the Organization and, as needed, adjusts its operations based on the health orders issued by governmental authorities. The future financial impact of the pandemic cannot be reasonably estimated at this time.